

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 FRB-03 XMB-07 OPIC-12

LAB-06 SIL-01 FEA-02 PA-04 USIA-15 PRS-01 DRC-01 /191 W

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R 190015Z SEP 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4611

C O N F I D E N T I A L TOKYO 12037

E.O. 11652 GDS

TAGS: EFIN, JA

SUBJECT: GOJ ACQUIRING PETRODOLLAR DEPOSITS

REF: TOKYO 11847

PASS TREASURY AND FEDERAL RESERVE

1. SUMMARY: JAPANESE A.M NEWS STORY SEPT 17 (NIHON KEIZAI SHINBUN) REPORTS THAT GOJ HAS REACHED AGREEMENT WITH A CERTAIN ARAB OIL-PRODUCING COUNTRY (REPORTEDLY SAUDI ARABIA) AND IS DIRECTLY ACQUIRING PETRODOLLAR DEPOSITS. END SUMMARY.

2. FINATT SOUGHT VERIFICATION ACCURACY OF DETAILS IN NEWS REPORT. MOF OFFICIAL (FUJIOKA) WOULD NEITHER CONFIRM NOR DENY DETAILS. SAID FORMER VICEMIN INAMURA RECENTLY HAD GENERAL DISCUSSION WITH TREASURY UNDERSEC BENNETT IN FRANCE, HINTING THAT JAPAN WAS CONSIDERING DIRECT RECYCLING OF PETRODOLLARS. HOWEVER, OFFICIAL WOULD NOT DISCLOSE AMOUNTS CONTEMPLATS, TERMS, OR CONDITIONS, SAYING ARAB OIL COUNTRY OFFICIALS ARE VERY RELUCTANT TO HAVE DETAILS OF THEIR  
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INVESTMENT ACTIVITY KNOWN.

BEGIN UNCLASSIFIED.

3. SUMMARY OF NEWS STORY AS FOLLOWS: ACCORDING TO DOMESTIC AND OVERSEAS FINANCIAL SOURCES, GOJ AGREED WITH A CERTAIN ARAB OIL COUNTRY (LIKELY TO BE SAUDI ARABIA) TO ACCEPT OIL DOLLARS DIRECTLY INTO JAPAN TO MEET ITS BALANCE OF PAYMENTS NEEDS. THE TWO COUNTRIES HAVE SIGNED AN AGREEMENT AND DOLLAR RECEIPTS ARE EXPECTED TO BEGIN SEP 18. SOURCES INDICATE INFLOWS IN EACH SEPT AND OCT WILL AMOUNT TO \$500 MIL. NEGOTIATION WILL CONTINUE IN NOV ON FURTHER INFLOWS OF DOLLARS THEREAFTER. GOJ EXPECTED TO START SIMILAR NEGOTIATIONS WITH KUWAIT AFTER NOV IN EFFORT TO EXPAND LIST OF COUNTRIES. BANK OF TOKYO IS EXPECTED TO ACQUIRE DOLLAR DEPOSITS, 5-YEAR MATURITY, INTEREST AT 10 PERCENT, AND GOJ GUARANTEE FROM CENTRAL BANK OF ARAB COUNTRY (ACCORDING TO NEWS STORY). FUNDS WILL BE DEPOSITED WITH MOF FOREIGN EXCHANGE SPECIAL ACCOUNT AND PROCEEDS WILL BE REDEPOSITED WITH JAPANESE FOREX BANKS AT SAME 10 PERCENT RATE. GOJ REQUIRES NO NEW LEGAL AUTHORITY TO ACQUIRE FOREX IN THIS MANNER. END UNCLASSIFIED.

4. FINATT COMMENT: ACQUISITION OF THESE DEPOSITS EVIDENTLY SOMEWHAT DIFFERENT THAN THOSE REPORTED IN REFTEL WHICH BEING HANDLED BY LONDON BRANCHES OF 5 JAPANESE BANKS. BANK OF TOKYO MAY MERELY BE AGENT FOR MOF, ROLE IT HAS PLAYED IN THE PAST. PETRODOLLARS WILL FLOW INTO MOF FOREIGN EXCHANGE RESERVES WITHOUT, HOWEVER, FLOWING THROUGH TOKYO FOREX MARKET, PROCEEDS MAY WELL BE HANDLED SIMILAR TO PAST MOF PRACTICE OF DEPOSITING FOREX DIRECTLY IN JAPANESE BANKS AND USE THEM FOR VARIETY OF APPROVED B/P PURPOSES. PRESUMABLY BANKS WOULD HAVE LESS NEED TO ACQUIRE ADDITIONAL DOLLARS IN U.S. AND EURO MARKET. FINATT BELIEVES BALANCE OF PAYMENTS TREATMENT MIGHT BE AS FOLLOWS: 5-YEAR PETRODOLLAR DEPOSITS WOULD BE TREATED AS LONG-TERM CAPITAL INFLOW THUS REDUCING SIZE OF DEFICIT ON BASIC BALANCE; PROCEEDS COULD BE USED FOR A VARIETY OF PURPOSES BOTH ABOVE AND BELOW-THE-LINE TRANSACTIONS. RESERVE INCREASES AND NET REPAYMENT OF BANK'S FOREIGN BORROWING, FOR EXAMPLE, NEED CONFIDENTIAL

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HAVE NO FOREX MARKET IMPACT, AND WOULD RESULT IN OVERALL SURPLUSES. ON OTHER HAND, TO EXTENT CURRENT ACCOUNT DEFICIT OR EXPORTS OF LONG-TERM CAPITAL ARE FINANCED BY PROCEEDS OF DEPOSITS, THERE WOULD PROBABLY BE FOREX MARKET IMPACT, BUT WOULD NOT AFFECT OVERALL BALANCE.

5. AS ADDITIONAL DETAILS BECOME AVAILABLE, THEY WILL BE REPORTED.

HODGSON

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NNN

## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, PETROLEUM, AGREEMENTS, YEN (CURRENCY), FOREIGN EXCHANGE, INVESTMENTS, BANK DEPOSITS  
**Control Number:** n/a  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**TAGS:** EFIN, JA  
**To:** STATE  
**Type:** TE  
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